



FOR IMMEDIATE RELEASE

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FACT SHEET

SANDERS' EMPLOYEE HEALTHCARE REFORM GOOD FOR CITY EMPLOYEES AND TAXPAYERS

REFORMS MEANS MILLIONS IN SAVINGS FOR TAXPAYERS

On Tuesday, the San Diego City Council will consider Mayor Jerry Sanders' plan to provide employees with better healthcare coverage at less expensive rates, a plan that will save the taxpayers millions of dollars. The San Diego Police Officers Association has already agreed to the proposal. The Mayor will ask the Council to impose the plan on Firefighters Local 145.

There are two key components to the mayor's reform: consolidation of 21 healthcare plans into 6 and a change to the city's current cafeteria-style method of funding healthcare.

Consolidation of 21 into 6 Healthcare Plans Increases Taxpayers' Purchasing Power

Through their respective unions, city employees currently have access to 21 different healthcare plans offered by 11 different insurers. This makes no sense. Because rates are primarily based on the number of plan enrollees, the current system offers taxpayers virtually no buying power. The Mayor's proposal takes the purchasing and administration functions away from the unions and consolidates all of the city's healthcare plans into 3 medical, 2 dental and one vision plan. This enormous sea change will allow the city to get more purchasing power for its dollar thereby slowing the increase in healthcare costs. It will also allow the city to standardize benefits for all city employees, the result being a more equitable system.

Reform Good for Employees: Change to Employer Paid Percentage of Coverage will Lower Employee Contribution

Funds set aside for healthcare should be used for just that and not as an alternative form of cash compensation. Unfortunately, that's not the way it works at the City of San Diego.

Unlike most employers who pay for a percentage of their employees' health insurance, the city offers the majority of its employees \$5,575 annually that they can apply toward a ten option cafeteria-style plan. One of the options is a cash payout. While very democratic, this system is inefficient and bad public policy. Two thousand employees currently waive healthcare altogether and pocket the cash. While good for them, the remaining employees, most notably those with families, are often negatively impacted and some pay thousands of dollars above and beyond their flex dollar allocation. In the Mayor's opinion, our present system is not fair. It has also negatively affected our police officer retention efforts.

Mayor Sanders' proposal modifies the cafeteria plan so that in the future the city pays for a percentage of an employee's coverage. Employees with dependents will save the greatest amount of money. An employee with a family that opts for the Kaiser and dental HMO plans, would see their coverage percentage increase from an equivalent 48% under the current system to a standardized 75% under Sanders' proposal. This represents savings of \$2,600 per year that these employees would otherwise have to pay themselves.

POA	Current Plan		New Plan	
	<u>Current Coverage</u>	<u>Current Employee Contribution</u>	<u>Proposed Coverage</u>	<u>Proposed Employee Contribution</u>
Waiver	N/A	N/A	N/A	N/A
EE	100%	\$0.00	100%	\$0.00
EE+1	77%	\$1612.00	100%	\$0.00
EE+2	48%	\$5205.00	75%	\$2538.00

An employee will still be able to waive healthcare. But instead of receiving \$5,575, going forward, they will only receive \$1,000. The savings, across all employee groups, will be split between the city and employees.

Reform Savings Significant for Taxpayers

Assuming current enrollment, the city could save as much as \$2.1 million in fiscal year 2008. Next fiscal year, all of the city's employee unions will be at the negotiating table. Assuming current enrollment, it is estimated that the city can save approximately \$6.3 million per year under this plan when all employee groups are participating. These are funds that the city can use to pay for other basic city services such as parks or libraries.